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March 28, 2006

Marlene Dortch, Secretary
Federal Communications Commission
445 Twelfth St., SW
Washington, D.C. 20554

**RE: Federal-State Joint Board on Universal Service [Contribution
Proceeding]; CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200,
95-116, and 98-170**

Dear Ms. Dortch:

OnStar Corporation ("OnStar") made four *ex parte* presentations yesterday regarding the proceeding referred to above. Bill Ball and Bonita Lewis Bell of OnStar; and Ari Fitzgerald and the undersigned, counsel to OnStar, met with: Ian Dillner, legal advisor to Chairman Martin; Jessica Rosenworcel, legal advisor to Commissioner Copps; Barry Ohlson and Scott Bergmann, legal advisors to Commissioner Adelstein; and Aaron Goldberger, legal advisor to Commissioner Tate. The attached documents summarize the content of the discussions.

If you have any questions, please contact me.

Respectfully submitted,



David L. Sieradzki

Enclosure

cc: FCC staff members listed above

OnStar Corporation Presentation on USF Contributions

I. Telematics Service

Description

- OnStar provides telematics service using transceivers built into GM and other vehicles.
- Telematics is a public safety information service that uses GPS data to provide PSAPs with location information regarding accidents, airbag deployments, and other emergencies in real time.
 - Telematics also enables users in vehicles to access door-unlock service, vehicle diagnostics/monitoring, roadside assistance, directions and other information services.
- The Commission has ruled that OnStar's telematics offering is not within the definition of CMRS and is exempt from E-911 requirements. (18 FCC Rcd 21531, ¶¶ 17-18 (2003)).
 - “[U]nits providing only telematics service cannot transmit and receive commercial wireless calls between the operator of the vehicle and other wireless or wireline end users.”

The Problem

- OnStar telematics uses phone numbers to enable telematics units on vehicles to interact with OnStar call centers.
 - OnStar purchases airtime as “telecommunications” from underlying CMRS carriers.
 - As a telematics provider, OnStar does not contribute directly, but is subject to USF contributions (percent of revenues) passed through as carrier surcharges.
- A per phone-number monthly USF surcharge on OnStar telematics phone numbers would have a devastating impact.
 - OnStar telematics has an extremely low utilization of telecommunications – less than 2 minutes per month per vehicle – relative to the number of phone numbers it has in use.
 - A monthly per-phone number assessment could threaten OnStar's ability to continue providing its public safety and emergency response offering.

Proposed Solutions

- Exempt carriers from paying USF per-number charges (and prohibit USF surcharges) for service provided to telematics providers.
 - An exemption for telematics – as well as for first responders, PSAPs, and other emergency services – would promote public policy, like the existing exemption for Lifeline users.
 - Telematics is not interconnected with the PSTN (and therefore is not a substitute for traditional phone service), and uses phone numbers only for internal purposes.
- In the alternative, USF contributions (and pass-through USF surcharges) for telematics providers (and other organizations with extremely low ratios of telecom usage to phone numbers) could be assessed based on a method other than per-phone number, such as using a percentage of telecommunications revenues based on an “equivalency ratio” adjustment to the monthly per phone number rate.

II. Prepaid Hands-Free Calling Service

Description

- Some of OnStar's telematics subscribers also opt to purchase adjunct prepaid wireless "Hands Free Calling" service, provided over the same transceiver equipment.
 - OnStar acts as a CMRS reseller and directly pays revenue-based USF contributions.

The Problem

- Per-phone number contribution obligation would have a highly disproportionate impact on OnStar prepaid wireless service.
 - A large proportion of users make no calls in any given month, and average usage is less than 10 minutes per month.
 - Prepaid users pay no monthly charges, so OnStar would be unable to pass through monthly per-phone number USF costs as monthly surcharges paid by users.
 - Would be impossible for OnStar to charge based on handsets that are "activated" or that have sent or received a call during a given month.
 - > OnStar does not track customer usage centrally; usage data is stored and decremented on the telematics unit inside the vehicle.
 - > OnStar does not know whether a given user has placed or received a call during a given month.
- Per-phone number contributions probably would force OnStar to discontinue Hands Free Calling offering, which could also discourage use of life-saving telematics technology.

Proposed Solution

- Prepaid wireless services like OnStar's (and others with extremely low ratios of telecom usage to phone numbers) should contribute based on an "equivalency ratio" comparable to contributions paid by other carriers, adjusted either based on revenues or usage.
 - Example: Assess percentage-of-revenues contribution rate for prepaid wireless at a level that is equivalent to the standard monthly per-number rate paid by others.
- Some states have adopted similar methodologies to assess E-911 charges on prepaid wireless.
 - Ohio: Revised Code § 4931.61(A)
 - > Standard assessment to cover cost of wireless E911 is 32¢ monthly per subscriber.
 - > Prepaid subscribers pay percentage equivalent, based on 32¢/\$50 ratio (\$50 = assumed average cellular monthly revenue).
 - > Can be assessed either as a surcharge on usage purchases, or as a monthly reduction to balance of minutes in user's account.
 - North Carolina: Sess. Law 2005-439, revising G.S. §62A-3(b1)
 - > Standard assessment to cover cost of wireless E911 is 70¢ monthly per subscriber.
 - > Prepaid subscribers pay percentage equivalent, based on 70¢/\$50 ratio.

OnStar Background

Combine and integrate directly into the vehicle's electrical architecture

- Cellular technology
- GPS location capability
- Sophisticated voice recognition technology

Call center-based services

- Safety, security and peace of mind
- Routing and point of interest

Optional one button hands-free wireless calling



Monthly Interactions

OnStar Responds to:



Airbag
Notification
1200/Month



Stolen Vehicle
Location Assistance
500/Month



Emergency
Services
12,000/Month



Roadside
Assistance
27,000/Month



Remote
Unlock
46,000/Month



Route
Support
333,000/Month



OnStar Hands-
Free Calling
*Over 12
Million/Month*



Good
Samaritan
6,000/Month



Remote
Diagnostics
(on demand)
37,000/Month



Advanced Automatic
Crash Notification
300/Month



OnStar Vehicle
Diagnostics
475,000

Monthly average (OCT-DEC 2005)

Crash Notification Today

